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SUBJECT: COALITION SURVIVES NO-CONFIDENCE VOTES; BARAK AND NETANYAHU  
LOOKING TOWARD EARLY ELECTIONS, POSSIBLY BY FALL

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SUMMARY  
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¶1. (U) PM Olmert kept the Kadima Party and the coalition together despite last week's resignation of the coalition chairman, Avigdor Yitzhaki, and shaky support from the Labor Party, defeating opposition attempts to pass no-confidence votes on May 7. Olmert's supporters bruited the possibility of bringing Opposition Leader Binyamin Netanyahu into his government as Defense Minister in a warning to Labor Party rebels who are urging Labor to quit the coalition. This gambit appears to have backfired, however, as Netanyahu dismissed the offer and reiterated his call for early general elections. Meanwhile, former PM Ehud Barak finally came forward with his views on Winograd; he echoed popular sentiment in saying publicly that Olmert should draw appropriate "personal conclusions" from the Winograd report -- without explicitly demanding Olmert's resignation. Looking for a niche between his Labor rivals, Barak stated his intention to call for early elections if Olmert remains in office when the Labor Party elects its chairman on May 28 -- with the caveat that he, Barak, would join the coalition during the transitional period before elections. End Summary.

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BARAK BREAKS HIS SILENCE WITH AN "IF, BUT"  
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¶2. (SBU) On May 9, the last of the Labor titans came forward and shared his views on Winograd. Former PM Ehud Barak warned, "If on May 28, I am elected chairman of the Labor Party, and the prime minister has yet to reach personal conclusions, I will act to form a wide consensus in my party and with the faction leaders to determine an appropriate and agreed date for elections." In so doing, Barak offered a position that splits the difference between his two main competitors -- MK Ami Ayalon, who has stated he will not keep Labor in the coalition as long as Olmert is at the helm, and current Labor Party Chairman, Amir Peretz, who is still clinging to the coalition with hopes of changing portfolios (he wants to swap defense for finance). One well placed observer commented that Barak's support for new elections is a tactic meant to "put fear in Kadima," and to encourage Kadima to select a new leader, such as Shimon Peres. "Barak has a vested interest in staying in power at the Ministry of Defense for a few months" before elections, our contact continued, in order to position himself to challenge Netanyahu for the prime minister's post. In any event, conventional wisdom among Labor, Kadima, Likud and other parties is that PM Olmert is not likely remain in office past August 2007.

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NO CONFIDENCE MOTIONS FAIL  
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¶3. (U) On May 7, less than 30 MKs supported the no-confidence

motions put forward by United Torah Judaism (UTJ), the National Union, the National Religious Party, Likud and Meretz-Yachad -- far fewer than the 61-Member majority required for such a motion to succeed. In the Kadima camp, two MKs refused to vote against the motion: MK Avigdor Yitzchaki, the former faction whip and coalition chairman, and Marina Solodkin, a Russian-speaking MK who remains disgruntled by Olmert's decision not to name her to a ministerial post one year ago. She explained her decision, however, by saying "some things are a matter of conscience and some things are more important than the coalition. I asked the prime minister nicely to quit and he said no."

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LABOR'S LAST WORD YET TO BE SAID  
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14. (U) In advance of the Knesset debate on the no-confidence motions, the Labor faction overruled a call by Chairman Amir Peretz to support the government. The refusal of eight (of 19) Labor MKs (Danny Yatom, Ami Ayalon, Avishai Braverman, Ophir Pines Paz, Shelly Yacimovich, Eitan Cabel, and Michael Melchior) to support the government constitutes another warning to the Prime Minister, as Kadima's chief coalition partner is still capable of breaking up the coalition without recourse to a no-confidence motion. A potential Labor decision to withdraw from the government has forced Olmert to look for new allies among the other ultra-Orthodox UTJ faction.

15. (U) Within Labor, a fierce debate is already raging between the advocates of withdrawal from the government -- Ofir Pines Paz and party secretary-general Eitan Cabel against ministerial veterans such as Binyamin Ben-Eliezer (and Barak), who say such a move will only play into the hands of Netanyahu, who is widely expected to be the victor in the resulting elections. Labor is due to take the crucial decision on whether to remain in the coalition at a meeting of its central committee scheduled for May 17, but this date is

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subject to change.

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LIKUD NOT FLATTERED BY OLMERT'S COURTING  
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16. (SBU) Netanyahu reacted unenthusiastically to a reported Kadima offer of the Defense Ministry and an election date in late 2008. "The Olmert government has ended its career," a Likud representative told the press. "Olmert himself won't survive the final [Winograd] report, so there is nothing to discuss regarding joining the coalition." A maverick Likud MK has introduced an initiative in the Knesset to resurrect direct elections for Prime Minister, but Netanyahu has not endorsed this approach. In fact, he reiterated his call for early, general elections. A former advisor to Netanyahu seconded the press reports that Netanyahu anticipates an Olmert resignation in the summer, followed by general elections in late fall.

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COALITION PARTNERS STEADY FOR NOW  
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17. (SBU) Yisrael Beiteinu, Shas and the Pensioners remain loyal to the coalition, and will remain in the government for the foreseeable future as they view elections as needlessly disruptive to their respective political agendas (countering strategic threats; securing funding for religious education; increasing pensions). Shas could be enticed to support the Likud gambit of a direct election for the PM -- as this would allow their constituents an opportunity to topple Olmert while remaining in government. YB leader Avigdor Lieberman is keeping a low profile, concentrating on building up his strategic threats ministry and hoping that the State prosecutor will not pursue indictments against him for campaign irregularities and possible personal improprieties stemming from his business interests and ties.

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ON THE HORIZON  
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¶8. (U) On May 10, the Winograd Committee released the testimonies of the three principals at the time of the Second Lebanon War (Olmert, Peretz, Halutz), and pundits are pouring over what these leaders said about each other (and others), particularly Olmert's sharp criticism of the Israeli Defense Forces (IDF).

¶9. (U) Meretz MK Zahava Gal-on has reportedly gathered sufficient support in the Knesset to compel Prime Minister Olmert to participate in a special debate in the coming days to discuss "the prime minister's refusal to resign following the Winograd report."

¶10. (SBU) Elections for the Presidency have been announced for June 13, just two days after the likely Labor Party runoff on June 11. Olmert, having outmaneuvered his most popular Kadima rival (FM Livni), is reportedly pressing Vice Premier Shimon Peres to declare his candidacy for the Presidency with greater gusto -- to eliminate acceptable Kadima alternates to Olmert's continued leadership.

CRETZ